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UNCLAS SECTION 01 OF 04 LAGOS 000241

SENSITIVE
SIPDIS

DEPARTMENT PASS TO USTR-AGAMA
DOE FOR GPERSON, CHAYLOCK

E.O. 12958: N/A

TAGS: PGOV KDEM ECON EPET EFIN MOPS NI

SUBJECT: NIGERIA: BI-WEEKLY POL/ECON UPDATES FOR JUNE 16-30, 2008

¶11. (U) The Following is a joint Embassy Abuja ConGen Lagos compilation of June 16-30 political/economic highlights, which did not feature in our other reporting, covering:

--Elections
--National Assembly
--Corruption
--State and Local Governments
--Economic and Business
--Oil and Gas
--Niger Delta
--Other News

Election Tribunals, Electoral Reform

¶12. (U) Press reports state that on July 11, the Court of Appeal in Jos, Plateau State, will rule on Senate President David Mark's appeal case. Mark challenged the lower tribunal ruling that nullified his election and ordered new elections.

National Assembly

¶13. (U) The National Assembly formed a joint committee to harmonize the two versions of the National Health Bill, which was recently passed by both the House and Senate. The bill is an attempt to guarantee a minimum health package for all Nigerians, especially those living in poverty and in rural areas. The initiator of the bill, and former Minister of Health, Professor Eyitayo Lambo, expressed his satisfaction over the bill's harmonization as a sign that it is moving forward and has a chance of being signed into law.

¶14. (U) On June 18, the Senate conducted a first reading of the "Bill to establish a national parole system in Nigerian prisons," in hopes of decongesting prisons and assisting with the rehabilitation of prisoners. The bill would allow for the release of inmates prior to the end of their sentence based on good behavior. Unfortunately, this would not apply to those who spend years awaiting trial due to a backlog in the judiciary, and who account for approximately 60 percent of the current prison population.

¶15. (U) House of Representatives Member Henry Dickson presented a bill titled the "Media Responsibility Bill" to be considered at the same time as the Freedom of Information bill, which many legislators

have refused to pass due to fears of media irresponsibility and maliciousness. The new bill seeks to create a system of registration and identification of media houses, editors, and journalists, as well as set standards for professional conduct and media best practices.

¶6. (U) The Nigerian Senate began an investigation into the disbursement of N19.5 billion (USD 166.5 million) given to the aviation sector during the Obasanjo administration. The Senate is also investigating how the previous government allegedly spent N300 billion (USD 2.56 billion) on roads in 8 years without tangible results. One of the startling revelations that emerged during testimony by government officials and agencies is that N967 billion (USD 8.26 billion) was actually spent on roads as opposed to the earlier figure given of N300 billion. Former Finance Minister Okonjo-Iweala has been called in to testify and explain the expenditure.

Corruption

¶7. (U) On June 23, Kenny Martins, brother-in-law to former President Obasanjo and coordinator of the Police Equipment Fund (PEF), along with his deputy, Ibrahim Dumuje, were re-arrested and arraigned before an Abuja High Court for allegedly embezzling N50 billion (USD 427 million) from the fund. The duo were first arrested in April 2008 following a petition written against them by some prominent Nigerians including the Sultan of Sokoto for alleged misuse of PEF funds; however, the court had later released them on bail. The Economic and Financial Crime Commission (EFCC) issued a seven-day

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ultimatum on June 19 for the return of more than 50 billion Naira in "gifts" (generally vehicles and money) given out from the PEF under Martins' leadership.

¶8. (U) A Federal High Court in Lagos dismissed the application by the former Ekiti State Governor, Ayodele Fayose (PDP), for dismissal of the money laundering charge against him. Justice Tijani Abubakar stated that the issues of the case could only be resolved through a trial. The EFCC is prosecuting the former governor on 51 counts of money laundering involving more than N1.4bn (USD 11.96 million), and alleged collaboration with Biological Concepts Ltd. to steal state funds through an Integrated Poultry Project. The trial will commence July 29.

State and Local Governments

¶9. (U) Governor Murtala Nyako (PDP, Adamawa State), who was just re-elected in April 2008 after being removed from office by the election tribunal, is now facing impeachment charges which include "arbitrariness, high handedness and non-consultation with the legislative arm in key decisions." Already, 24 out of 25 legislators in the Adamawa State Assembly have voted to serve Governor Nyako with a notice of impeachment. The impeachment saga has generated tension and anxiety in the governor's camp. Key players from the ruling People's Democratic Party (PDP) including President Yar'Adua and Vice President Jonathan are making frantic efforts to resolve the impasse. (NOTE: Press reports on July 2, just prior to release of this message, indicate that the PDP has brokered an agreement between the Governor and members of the State Assembly and that the notice of impeachment was withdrawn. END NOTE.)

¶10. (U) Former governor of Anambra State Chinwoke Mbadinuju (PDP) was arrested on June 30 on charges of forgery of a police report and conspiracy relating to the murder of the former chairman of the Onitsha branch of the Nigerian Bar Association Barnabas Igwe and his pregnant wife in 2002. The arrest followed several years of court cases and appeals, months of rumors of impending action, and hours of courtroom antics immediately before the arrest. Mbadinuju is out on bail and the court has adjourned until July 22.

¶11. (SBU) Oyo State godfather Lamidi Adedibu (PDP) died on June 11. The 80 year-old Adedibu was infamous for a style of politics that relied (more than most) on money, muscle, and influence peddling, although in recent years, his influence had waned. (Comment: With no clear successor, Adedibu's death will likely free state PDP members formerly beholden to him for their positions to pursue their own agendas. End Comment.)

Economic and Business

¶12. (SBU) On June 24-26 the U.S. Mission Nigeria held two concurrent intellectual property rights workshops in Abuja. The Ambassador and Minister of Commerce opened the workshop. (NOTE: We consider the Commerce Minister's participation as a thawing and improvement in relations based on efforts by the Ambassador and Econ offices. END NOTE) More than 100 Nigerian government officials attended the workshops that were led by U.S. Patent and Trademark Office and Commercial Law and Development Program trainers. Additional details on the workshops will be sent septel.

¶13. (U) In June the GON reported that in the first quarter of 2008 it collected 1.89 trillion naira (USD 16.1 billion) in revenue. This represents an increase of 25 percent from the 2008 budget estimate and 11 percent more than the last quarter of 2007. Oil revenues accounted for 1.57 trillion naira (USD 13.4 billion- 83 percent of total revenue). The oil revenue was 3.8 percent less than the last quarter of 2007, a 25 percent decrease from the 2008 budget estimate. Government officials claim the fall in non-oil revenues was attributed to a decline in corporate tax payments.

¶14. (U) On June 22 Acting Director General of the Kano Chamber of Commerce, Industry, Mines, and Agriculture, Abdullahi Muhammad Jidda told the media that stakeholders in the Kano State Textile sector are planning to create a garment manufacturers' village. Jidda

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reported that the garment village is expected to receive funds from the GON's 70 billion naira (USD 598 million) Textile Development Fund and will take advantage of opportunities available under the African Growth and Opportunities Act.

¶15. (U) The Central Bank reported on June 23 that inflation for May 2008 rose to 9.7 percent over April's 8.2 percent. The rise is due mainly to price increases in food items (rice and other staple foods, fruits, cooking oils, and some non-alcoholic beverages), household goods, diesel fuel and building materials.

Oil and Gas

¶16. (SBU) On June 28, Chevron's labor unions agreed to suspend their strike for two weeks, temporarily avoiding a complete shut down of all production from Chevron oil fields. In addition to a pay increase, the unions have been demanding that Managing Director Fred Nelson be replaced as head of Chevron's operations in Nigeria. Striking workers had blocked access to Chevron's headquarters in Lagos and disrupted operations at the Escravos terminal. Oil production, however, was unaffected.

¶17. (U) Local newspaper "This Day" reported that in remarks made during a June 27 farewell meeting with the departing Venezuelan Ambassador to Nigeria, President Yar'Adua said he will meet with Venezuelan leader Hugo Chavez soon to discuss areas of mutual interest, including cooperation in the petroleum sector.

¶18. (SBU) As of July 1, repairs were continuing to a pipeline in Chevron's Escravos onshore swap fields that was blown up on June 22. The attack took 120,000 barrels of oil per day offline. A Chevron contact could not give an estimated time of repair, but said the company has unimpeded access to the location of the rupture. Chevron declared force majeure on some deliveries from the Escravos export terminal, but loading continues at the terminal and the company is producing oil from nearby shallow off-shore fields.

¶19. (SBU) Tony Chukwueke, head of the Department of Petroleum Resources, has reportedly been placed on administrative leave on June 17 after allegations of corruption in the 2007 oil block bid round. Chukwueke was similarly suspended for two weeks in 2006 after allegations he improperly awarded choice oil blocks to a local company during the 2006 mini-bid round. A committee set up to review the bid round is due to present its report on July 8. A Nigerian contact at an international oil company who has proven reliable told Econoff o/a June 19 that Chukwueke had previously depended on support from Obasanjo cronies to keep his position as the chief of Nigeria's powerful oil industry regulator and as a consequence he is unlikely to return from this suspension.

¶20. (SBU) The same Nigerian oil company contact noted above reported that Minister of State for Energy Odein Ajumogobia and Presidential Special Advisor on energy Dr. Rilwanu Lukman will meet with President Yar'Adua in the third week of July to discuss Lukman's oil sector reform proposal. The proposal has already been informally sent to the President. The contact believes one outcome of the proposal will be a complete shakeup of the Nigerian National Petroleum Corporation (NNPC) management, including the removal of all current operating business unit managing directors and the Group Managing Director Abubakar Yar'Adua. Sulaiman Achimugu, the head of NNPC's renewable energy division was mentioned as a possible successor to Group Managing Director Yar'Adua (no relation to President Yar'Adua), although appointment of an NNPC outsider remains a possibility. It is also noteworthy that Shell contacts have noted concern to us about reports that Lukman may be supporting the rebuilding of some previous unbundled power sector companies.

¶21. (U) President Yar'Adua encouraged other downstream companies to follow the example of fuel distributor African Petroleum (AP) which is selling kerosene at 50 naira (USD 0.43) per liter, down from its typical 60-100 naira per liter. Post officers observed long lines at AP stations in Lagos as people scrambled to take advantage of the discount. The President urged Nigerians living along the borders not to exploit the reduced cost by reselling the kerosene in neighboring countries. It is not clear, however, how long AP can keep selling kerosene at this price. Post will continue to closely monitor this issue.

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Niger Delta

¶22. (SBU) Security and oil company contacts say that local press reports of an attack on a Shell facility along Bonny River on June 28 were likely actually accounts of a riverine gun battle between government security forces (GSF) and armed men fleeing in a speedboat that took place near Shell facilities on June 29. Two naval personnel were killed. In an apparently separate incident that same day in the town of Bonny, oil company contacts report that 2-4 government security personal died during a shoot-out between GSF and local criminals. The Nigerian press reported on June 30 that two by-standers, including a pregnant woman, were killed in that incident.

Other News

¶23. (SBU) On June 25, Amma Pepple was sworn-in as the new Head of the Civil Service the Federation of Nigeria, the leader of Nigeria's civil service. She replaced Mrs. Ebele Okeke who was retired on June 14th having attained the mandatory retirement age of 60. Pepple, who is only the second woman to occupy this position, was the Permanent Secretary in the Ministry of Finance before her current posting. She had also served previously in various ministries including Transport, Petroleum Resources, Information, Commerce and Agriculture. (Note: The US Mission recently created several working groups with the GON aimed at improving transparency and fighting civil service corruption. These emerged from meetings with Head of Service Okeke and U.S. Mission team in looking at ways

to address transparency and corruption issues. We are hopeful that these initiatives will continue under the new leadership. End Note.)

SANDERS